



The Commonwealth of Massachusetts

**DEPARTMENT OF
TELECOMMUNICATIONS AND ENERGY**

December 28, 2004

D.T.E. 04-48 (Phase II)

Petition of Fitchburg Gas and Electric Light Company for approval of tariffs to provide recovery for costs associated with its obligations to provide employees pension benefits and post-retirement benefits other than pensions.

APPEARANCES: Scott J. Mueller, Esq.
LeBoeuf, Lamb, Greene & MacRae, LLP
260 Franklin Street
Boston, MA 02110
FOR: FITCHBURG GAS AND ELECTRIC LIGHT
COMPANY
Petitioner

Thomas F. Reilly, Attorney General
By: Alexander Cochis
Assistant Attorney General
Utilities Division
100 Cambridge Street
Boston, Massachusetts 02114
Intervenor

I. INTRODUCTION AND PROCEDURAL HISTORY

On October 27, 2004, the Department of Telecommunications and Energy (“Department”) issued an Order in Fitchburg Gas and Electric Light Company, D.T.E. 04-48 (2004) approving a pension and post-retirement benefits other than pensions (“PBOP”) reconciling mechanism (“PAM”). The PAM allows Fitchburg Gas and Electric Company (“Fitchburg” or “Company”) to recover expenses regarding pensions and PBOP not recovered in base rates. On October 29, 2004, Fitchburg submitted proposed compliance tariffs and PAM factors (“2005 Pension/PBOP Adjustment”), to become effective on November 1, 2004 for its gas division and January 1, 2005 for its electric division. The Department docketed this matter as D.T.E. 04-48 (Phase II).

On November 1, 2004, the Department approved the Company’s proposed tariffs and 2005 Pension/PBOP Adjustment for the Company’s gas and electric divisions, subject to further review and reconciliation. Pursuant to notice duly issued, the Department held public and evidentiary hearings on December 8, 2004. At the evidentiary hearing, the Company sponsored two witnesses: Lawrence M. Brock, controller of Fitchburg and vice-president and controller of Unitil Services Corporation (“Unitil”), and Karen M. Ashbury, director of regulatory services for Unitil. The evidentiary record includes three exhibits.

II. DESCRIPTION OF FILING

According to the Company, its 2005 Pension/PBOP Adjustment is computed for its gas and electric divisions in accordance with the formula included in the tariffs and the Department’s directives set forth in D.T.E. 04-48 (Exh. FGE-1, at 1; Tr. at 7-13). The

proposed 2005 Pension/PBOP Adjustment is \$0.00077 per KWH for the Company's electric customers, and \$0.0127 per therm for its gas customers (Exh. FGE-1, at 1). The Company allocated the 2005 Pension/PBOP Adjustment between the distribution and transmission function according to the allocation factor used in Fitchburg Gas and Electric Light Company, D.T.E. 02-24/25 (2004) (Tr. at 13.)

III. ANALYSIS AND FINDINGS

The Department has reviewed the Company's compliance filing and finds that Fitchburg's proposed electric division 2005 Pension/PBOP Adjustment of \$0.00077 per KWH, and proposed gas division 2005 Pension/PBOP Adjustment of \$0.0127 per therm, have been calculated in compliance with D.T.E. 04-48, at 18-25. Specifically, the Company (1) capitalized a portion of the amortization of the PBOP transition obligation in its calculation of recoverable PBOP expenses; (2) allocated a portion of its pension and PBOP expenses, as well as carrying charges on prepaid pension and PBOP balances, to the transmission function; and (3) recognized pension liabilities (i.e., recoveries in excess of expenses) recorded on the balance sheet of Unitil in the calculation of carrying charges on net prepaid pension balances (Exhs. FGE-1, Schs. LMB-1 through LMB-5; FGE-3, Schs. LMB-1, LMB-2, LMB-4; Tr. at 7-13).

Accordingly, the Department approves the application of the Company's 2005 Pension/PBOP Adjustment, subject to reconciliation in a future proceeding. The Department may also change the PAM factors or method of computation, if future conditions warrant such changes.

By Order of the Department,

/s/

Paul G. Afonso, Chairman

/s/

W. Robert Keating, Commissioner

/s/

Eugene J. Sullivan, Jr., Commissioner

/s/

Deirdre K. Manning, Commissioner

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.